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ABSTRACT

Designed for those interested in the possible effects of the tuition tax credit plan espoused by the Reagan administration, the document presents two polar views on the subject. Glazer's article, "The Future under Tuition Tax Credits: The Case for Homogeneity in Schools," is presented from the perspective of one who favors such tax credits. A discussion about the necessity for homogeneity of educational values in schools is followed by predictions of possible enrollment shifts that would occur if the tuition tax credits were implemented. The author concludes by stating his opposition to the forced association of "the aspiring and achieving" with those who create an environment in which students can neither aspire or achieve. Breneman's article, "Saying No To Tuition Tax Credits," presents the perspective of one who opposes tuition tax credits. By examining the lessons drawn from the financing of higher education, the second author suggests that tuition tax credits would be inefficient, inequitable, and expensive without creating any offsetting social benefits. A consideration of possible enrollment shifts is followed by the author's conclusion that such tax credits would create losses greater than gains on both social and educational grounds by creating a split along socioeconomic class lines and by the seeking of private alternatives rather than dealing with the problems of public schools. (LH)

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TWO VIEWS ON TUITION TAX CREDITS

Nathan Glazer
David Breneman

As reported in the previous issue of Synthesis, among the reasons for decreasing confidence in public education is the disparity in discipline problems, on the one hand, and academic achievement, on the other, between public and private schools. This issue presents two polar views in the likely effects of the support for private school enrollment that would result from the enactment of the tuition tax credit plan espoused by the Reagan administration.

These papers are adapted with permission from those previously published in "Policy Perspectives," a publication of the Institute of Research on Finance and Governance, Stanford University.

THE FUTURE UNDER TUITION TAX CREDITS: The Case for Homogeneity in Schools

By Nathan Glazer

The impact of a tuition tax credit will clearly depend on many specific details including those of the size and refundability of the credit, the eligibility of schools, and the regulations to which schools must adhere. Any projection must be highly speculative; nevertheless, one can say a few things.

Most people seek homogeneous environments in which to educate their children. The homogeneity they seek is not necessarily racial, ethnic or class, but a consensus on educational values held by children and their parents, as well as by teachers and administrators. Some degree of homogeneity is required for an effective educational environment. In its absence, the schoolteacher must be concerned primarily with discipline, the slowest children, or must abandon them and concentrate on the brightest. Undoubtedly an index to the homogeneity of educational values is given by race, class or ethnicity; and thus a legitimate search for the best educational environment becomes entangled with a refusal by many to accept racially and ethnically heterogeneous environments, for whatever reason.

How does this square with the historic role of the public school, the "common school" in which all children of a community were educated together regardless of class or ethnicity? The fact is that most public schools were, and are, homogeneous with respect to educational values, race and ethnicity. This is a result of the patterns in which Americans generally settled: by race, ethnicity, income, among the various regions, between small cities

and large ones, between cities and suburbs, and within the individual neighborhoods of cities.

Possible Enrollment Shifts

° Where people are mostly satisfied with their public schools, there will be little change in enrollments. Thus, satisfaction is greatest in rural communities, small towns and cities, which tend to be homogeneous. One possible and important exception to this homogeneity lies in the rural areas and small towns of the South, with their black-white division. Whether tuition tax credits will increase the tendency of whites to leave the public schools for private schools is a serious question. But segregated academics and fundamentalist private schools are not the same, do not draw from the same socio-economic groups, and rest on different motivations.

° In suburbs, too, there is both considerable homogeneity and satisfaction with schools. There is always a discontented fringe who will be encouraged to move out, but the effect should not be great.

° In the big cities, not much change should be expected in the middle-class and the stable working-class districts where again the principle of satisfaction with homogeneity prevails. However, school busing threatens this homogeneity by separating residence from school. In many cities this is a reality; in others it is a threat. The federal administration's de-emphasis on desegregation plans that require transportation outside of one's neighborhood may restrain the expansion of busing. Insofar as busing is restrained, little change in enrollment patterns should be expected in large parts of big cities.

° The greatest discontent with schools is in black neighborhoods and other minority areas, where in theory one could expect the greatest demand for new forms of schooling. The demand would come not only from discontented black and minority parents, but also from low-income whites living in central cities and from upper-income whites who are increasingly returning to central cities.

Even the potentially substantial response of minority and white parents living in central cities depends on what kind of schools will be augmented by entrepreneurs from the newly vigorous Christian fundamentalism, from black churches, and on a lesser scale, from conservative Jewish groups who are important in some areas of some cities. All of these groups are discontented with the lack of discipline, the presence of drugs, and the lack of religious education in the public schools. Released public school teachers may be tempted into educational entrepreneurship, but I doubt this will be a big response.

To some extent the response, on the demand and the supply side, will exacerbate racial segregation. But it should be pointed out that there is a surprising degree of integration in inner-city private schools, and this would be maintained. In addition, increased segregation at the school level may be matched by

decreased segregation at the neighborhood level. It will no longer be necessary to move to a given geographical area to get one's child into the school of one's choice.

Regulation and Differentness

Crucial to any projection of the effects of tuition tax credits is the kind of regulation that will be imposed on participating schools. If private schools are subjected to the same requirements that affect public schools in the areas of segregation, discipline, and religious education, then the response will be very muted indeed. Nevertheless, the extension of this kind of rule and regulation which makes the private school more like the public school is not dependent merely on tuition tax credits. The Internal Revenue Service thought it was within its rights to impose on private schools severe requirements to show nondiscrimination and states have very wide regulatory authority. On the whole, I think the private schools would be able to defend their differentness enough to be potent competitors with public schools in those areas where parents are discontent.

We must also consider the impact of expanded private schooling, with its distinctive values and specific religious traditions, upon overall divisiveness in American society. But support of private schools is not necessarily the death of democratic and effective societies, as we can see from Canada, Australia, France, and Israel. Nor has the presence of the Catholic parochial school system, which educates a very large percentage of our children in northern and midwestern cities, been a chief source of divisiveness there.

The most serious effect of a tuition tax credit will be on the withdrawal of the more motivated children from the ghetto schools, which generally are educational disaster areas. Their absence will affect the morale of teachers and administrators, and may affect the achievement of poorly prepared and less motivated students. There is no way of getting around this problem. One can only take the children who remain in such schools, because their parents may not have the knowledge, energy, or interest to seek for better, and do the best one can.

This problem arises whenever a population has serious problems, whether in housing projects or prisons. Do those who wish to escape have the duty to stay behind with the worst? And does society have an obligation to force them to? I think the answer to both questions is no. To me, freedom is a higher value than those advanced by the forced association of the aspiring and achieving with those who create an environment in which they can neither aspire nor achieve.

Nathan Glazer is a professor at the Graduate School of Education, Harvard University.

SAYING NO TO TUITION TAX CREDITS

By David W. Breneman

In what follows, I describe the possible effects of tuition tax credits from the perspective of one who opposes them. What vision of the educational future under tuition tax credits could be so distressing as to cause one to argue against their enactment? How can an economist, of all people, question the value of a policy that would expand individual choice? In addressing these questions, I begin by examining the lessons one can draw from the financing of higher education.

Lessons from Higher Education

Tuition tax credits for higher education would be inefficient, inequitable, and expensive, imposing a heavy drain on Treasury revenues without creating any offsetting social benefits. The accepted public purposes of ensuring student access as well as choice in higher education are met more effectively and at less cost through grant and loan programs.

Public schools, unlike public colleges, do not charge tuition; hence, a tuition tax credit for elementary and secondary schooling would markedly change the relative costs to parents of public and private schools. Much of the interest and debate focuses on the size and socioeconomic composition of the group likely to shift.

Moreover, in the eyes of both supporters and detractors, a tuition tax credit challenges the principles that have guided the organization and financing of elementary and secondary education in this country for a century or more. There is widespread concern that in moving toward tuition tax credits or vouchers, the way is being opened to radical change in the organization and delivery of schooling. One's stance toward tuition tax credits comes down to a judgment regarding the likelihood that gains would outweigh losses.

To complete the comparison with higher education, what can be said about the equity and expense of tuition tax credits for elementary and secondary schooling? Although data are sketchy, James Coleman and associates report that families of students in private secondary schools had a median income in 1980 of $23,200 compared to $18,700 in public secondary schools. Thus, the distribution of the credit to families with students already enrolled would be regressive. What is not known is how that distribution would be changed by additional families opting for private schools. What is clear is that families of the more than 5 million students currently enrolled would receive a windfall that must be tallied as a deadweight loss when reckoning the efficiency of this tax expenditure.

What about the argument that parents with children in private schools are being unfairly double-taxed? This argument goes to the core of what it means to provide any service collectively. If I choose to join a country club rather

than swim in the public pool, should I receive a recreation tax credit? The only way to avoid such "double taxation" is to provide no service publicly and collectively if it is possible to provide it privately, a position that few would defend. For an activity such as education that is widely perceived to have public as well as private benefits, exclusive reliance on private suppliers would strike many people as a particularly questionable policy. The logical policy choice for someone bothered by the double-taxation issue would be to support educational vouchers, not tax credits, an issue beyond the scope of this article.

Impact on Demand

How large an enrollment shift would be triggered by enactment of a $500 tuition tax credit? The only honest answer is that no one knows.

I suspect that such a credit would not cause a very large enrollment shift from public to private schools, though the response probably would vary from region to region. I would expect most of the response to occur among lower-middle income families for whom the credit would provide the necessary economic incentive. It seems plausible to assume that the number of families who want to switch and would respond to a $500 credit would not represent a large percentage of the public school population. If this speculation is correct, then the bulk of the tax benefits would be pure windfalls to those with children already enrolled in private schools all qualified for the $500 credit at a cost to the Treasury of $2.5 billion. If another 1 million families shifted to private schools because of the credit, the cost to the Treasury would increase to $3 billion. To provide choice for these 1 million families therefore would cost $3 billion, or $3,000 per child.

Impact on Supply

If we know very little about the demand for private education that a tuition tax credit would create, we know even less about the potential supply response of existing schools and possible new entrants. In the absence of a profit incentive, the factors that might motivate an existing school to expand or prompt someone to start a new school are far from clear. Religious affiliation has been an important motivating force in the past, as has been the desire to experiment and try new educational philosophies. It is not clear how such motivations could be translated into quantitative estimates of response to a tuition tax credit. It is reasonable to expect the more attractive private schools to react to additional applicant pressure by increasing selectivity rather than by expanding to accommodate large numbers.

In the long run, a more important issue than the response of existing schools is the extent to which new schools will open. Which individuals or groups would seize the opportunity provided by the tax credit? Religious

motivation is likely to be the most dynamic force. Apart from religious groups, I can think of no other organized sources of educational entrepreneurship, leaving the remaining supply response to the initiative of individuals who see an opportunity to start a small school -- "Mom and Pop" operations, as it were. Ironically, many of these new schools would probably be housed in rented buildings of public schools that have been closed. I can foresee a 20 percent increase in private school enrollments taking place in three to five years through a combination of increased enrollment in existing schools and the opening of new ones; beyond that, my vision falters. In quantitative terms, a loss of roughly a million students would not be a disaster for the public schools, but the effect on quality could be much greater than this number suggests.

Educational Quality

Were a tax credit enacted, the vast majority of youngsters would remain in public schools. Families who were most dissatisfied with the public schools and were on the economic margin of choice would shift to private schools. Thus, a tax credit does not threaten the existence of public schools; it is not as dramatic a change as vouchers would be. If a principal and teachers within a particular school are ineffective and resistant to change, it seems unlikely that the loss of a few students would compel them to mend their ways. Indeed, the departure of those parents who care and complain might simply make life easier for them. The main hope for change in such a school -- the presence of concerned parents who will keep prodding and pushing for improvement -- will be lost but the school will survive, stunting the lives of those students unfortunate enough to remain. Could anyone defend this outcome as a desirable public policy, reflecting the presumed benefits of competition? My concern is that a tuition tax credit would not provide enough competition to force public schools to respond, while it would ease the departure of those families most likely to keep the pressure on for change. That being so, the real issue in evaluating tuition tax credits is the difficult balancing of gains for some against losses for others.

My own judgment is that losses would exceed gains, and hence my opposition to the proposal on educational and social grounds. Supporters of tuition tax credits should not be allowed to concentrate solely on the educational benefits for the few that the credit would create; the losses must also be reckoned and a judgment reached regarding the net benefit to society.

My main concern is the split between public and private schools that could develop along socioeconomic class lines. The public schools in many areas could become educational wastelands, ignored but tolerated by a society that has seen fit to take care of the more demanding parents

through private alternatives. Precisely because tuition tax credits are not likely to solve the problems of inner city schools, it is important to challenge those who advocate them. Indeed, the tuition tax credit represents an unfortunate compromise between public monopoly and a free market in education that fails to realize the potential benefits of either. Surely we can do better.

David Breneman is a Senior Fellow in the Economics Studies Program of the Brookings Institution where he specializes in the economics of education and public policy toward education.

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